

Message Text

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ORIGIN STR-05

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TO AMEMBASSY TOKYO IMMEDIATE
INFO CINCPAC IMMEDIATE

C O N F I D E N T I A L STATE 310056

CINCPAC FOR ASSISTANT SECRETARY HOLBROOKE ONLY

E.O. 11652: GDS

TAGS: ETRD, JA, US

SUBJECT: US-JAPAN ECONOMIC TALKS

REFS: A. TOKYO 19884, B. TOKYO 19885, C. TOKYO 19967,
D. TOKYO 19966

1. EMBASSY REQUESTED TO CONVEY TO MINISTER USHIBA OUR
APPRECIATION FOR GOJ EFFORTS TO PROVIDE RESPONSES SET
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OUT IN REFS A AND B. WHILE A NUMBER OF INDIVIDUAL
ASPECTS OF PACKAGE REQUIRE CLARIFICATION TO BE CON-
SIDERED ADEQUATE, WE BELIEVE THAT THESE RESPONSES
CAN SERVE AS THE BASIS FOR CONCLUDING THE CURRENT
ROUND OF US-JAPAN CONSULTATIONS. TO CONCLUDE CURRENT
PHASE OF DISCUSSIONS AMBASSADOR STRAUSS IS PREPARED TO
COME TO JAPAN JANUARY 12 AND 13. TO PREPARE FOR STRAUSS

VISIT AMBASSADOR WOLFF WOULD LEAD SMALL INTERAGENCY DELEGATION TO TOKYO FOR MEETINGS WITH GOJ JANUARY 9-11. THERE IS MUCH THAT REMAINS TO BE CLARIFIED AS TO DETAILS OF GOJ MEASURES AND STATEMENTS US AND JAPAN SHOULD MAKE IN PUBLIC AS WELL AS UNDERSTANDINGS AS TO INTENDED ACTIONS THAT GOJ PREFERS TO REMAIN LESS PUBLICIZED.

2. WOLFF VISIT WILL PROVIDE OPPORTUNITY TO ASSURE THAT CLARIFICATIONS ARE ADEQUATE AND TO WORK OUT WITH GOJ THE

ACTUAL TEXT OF THE ANNOUNCEMENT THEY WILL MAKE IN THE COURSE OF THE STRAUSS VISIT. THIS WILL AVOID ANY LAST MINUTE HITCHES OR MISUNDERSTANDINGS DEVELOPING DURING STRAUSS VISIT. WE ASSUME THAT GOJ WILL WISH TO MAKE UNILATERAL STATEMENT AT THAT TIME ON MEASURES IT IS TAKING OR HAS TAKEN BASED ON POINTS SET OUT IN REFS A AND B. SUCH A STATEMENT WOULD NOT, WE ASSUME, SPECIFICALLY ADDRESS PARTICULAR BILATERAL US-JAPANESE ISSUES BUT SHOULD BE CAST IN TERMS OF GOJ'S CONTRIBUTION TO A STRENGTHENING OF ITS OWN AND THE GLOBAL ECONOMY (AND MORE SPECIFICALLY TO REDUCING ITS SURPLUS). OTHER POINTS OF A BILATERAL NATURE COULD THEN BE HANDLED IN A POSSIBLE JOINT US-JAPANESE STATEMENT. IN REGARD TO LATTER WE HAVE IN MIND SUCH POINTS AS CONTINUING US-GOJ EXCHANGES OF VIEWS, ROLE OF TFC, AND SPECIFIC REFERENCE TO BILATERAL TRADE ISSUES (E.G., CHERRIES, AUTOMOBILES, CONFIDENTIAL

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WOOD AND WOOD PRODUCTS).

3. WE NOTE IN PARAGRAPH 11 OF JAPANESE RESPONSE (REF B) THAT REFERENCE IS MADE TO POINTS IN LATEST RESPONSE AS WELL AS IN USHIBA'S EIGHT-POINT PROPOSALS EVEN THOUGH THESE LARGELY OVERLAP EACH OTHER. WE ASSUME ANY PROBLEMS ARISING FROM THIS CAN BE WORKED OUT IN THE DISCUSSION OF THE TEXT OF JAPANESE STATEMENT TO BE MADE DURING STRAUSS VISIT AND THAT THIS STATEMENT AND PRIVATE ASSURANCES WILL TAKE THE PLACE OF TEXT IN REFS A AND B AND EIGHT-POINT PROPOSAL.

4. SPECIFIC REACTIONS TO INDIVIDUAL ELEMENTS OF PACKAGE FOLLOW:

TARIFF REDUCTIONS - YOU SHOULD REITERATE TO GOJ OUR INTEREST IN REVISION OF THE LANGUAGE REGARDING DEEPER THAN FORMULA CUTS IN THE MTN ALONG LINES OF THAT CONTAINED IN OUR DECEMBER 20 RESPONSE AND AS SUBSEQUENTLY DISCUSSED DURING THE LANDE VISIT. WE DO NOT BELIEVE SENTENCE AT END OF PARAGRAPH 3 IN REF B IS SUFFICIENT. WE APPRECIATE MITI'S OFFER TO EXPAND ITS

PRESENT LIST OF DEEPER THAN FORMULA CUTS AND HOPE IT IS SUCCESSFUL IN ASSURING SUFFICIENT OFFER. ALTHOUGH LANDE'S VISIT FOCUSSED ON DEEPER THAN FORMULA CUTS IN INDUSTRY, WE ALSO ARE INTERESTED IN SIGNIFICANT OFFERS IN AGRICULTURAL TARIFFS. FOR MAXIMUM POTENTIAL IMPACT, A WAY SHOULD BE FOUND DURING STRAUSS VISIT TO INDICATE THAT JAPAN WILL INCLUDE IN ITS JANUARY OFFER, PROPOSALS FOR ELIMINATING TARIFF DISPARITIES ON MAJOR ITEMS OF US EXPORT INTEREST THROUGH DEEPER THAN FORMULA CUTS WITH SPECIFIC EXAMPLES. PROCEDURES FOR THIS ANNOUNCEMENT WILL BE WORKED OUT DURING WOLFF'S VISIT. IN

ADDITION, YOU SHOULD SEEK GOJ CONCURRENCE THAT GOJ OR STRAUSS CAN ANNOUNCE DURING VISIT THAT HE HAS ASSURANCES
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THAT IT IS IN THE INTENTION OF GOJ AT END OF MTN THAT ACCESS OF MAJOR PARTICIPANTS TO JAPANESE MARKET BE NO LESS FAVORABLE THAN JAPAN'S ACCESS TO THEIR MARKETS.

5. REGARDING CURRENT ACCOUNT STATEMENT BY GOJ YOU SHOULD MAKE FOLLOWING POINTS:

A. IN PARAGRAPH 1(3), THE GOJ COMMITS ITSELF, IN FY 1979 AND THEREAFTER, TO BEST EFFORTS TO FURTHER REDUCING JAPAN'S CURRENT ACCOUNT SURPLUS. THIS COMMITMENT, OF COURSE, IS BUILT ON THE COMMITMENT TO REALIZE A MARKET DIMUNITION OF THE CURRENT ACCOUNT SURPLUS IN FY 1978. THE USG BELIEVES THAT BEST EFFORTS SHOULD BE MADE BY GOJ WITH A VIEW TO ELIMINATING JAPAN'S CURRENT ACCOUNT SURPLUS, AND THAT LANGUAGE OF GOJ STATEMENT SHOULD BE MORE FORTHCOMING WITH RESPECT TO PERIOD FOLLOWING 1978 PROJECTION.

B. PARAGRAPH 2 CONTAINS A REFERENCE THAT THE UNITED STATES WILL MAKE EFFORTS "THROUGH APPROPRIATE ECONOMIC MANAGEMENT" TO REDUCE ITS CURRENT ACCOUNT DEFICIT. THE PHRASE "THROUGH APPROPRIATE ECONOMIC MANAGEMENT" COULD BE MISCONSTRUED TO SUGGEST THAT THE UNITED STATES WILL TURN TO HIGHER INTEREST RATES OR FISCAL MEASURES TO DEPRESS THE DOMESTIC ECONOMY. THIS WE ARE NOT PREPARED TO DO. THE PHRASE SHOULD BE OMITTED. FURTHER, THE PHRASE AT THE END OF THE SAME SENTENCE, "WITH A VIEW TO AVOIDING LARGE AND PERSISTENT DEFICIT AS WELL AS TO MAINTAIN CONFIDENCE IN THE DOLLAR" SHOULD BE DELETED. REPETITION OF THE WORD "DEFICIT" IS REDUNDANT, AND REFERENCE TO "CONFIDENCE IN THE DOLLAR" IN THIS CONTEXT IS UNHELPFUL. CONFIDENCE IN DOLLAR DEPENDS ON MANY FACTORS, ONLY ONE OF WHICH IS SIZE OF DEFICIT. CALLS
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FOR STEPS TO MAINTAIN CONFIDENCE IN THE DOLLAR ALSO
COULD BE COUNTER PRODUCTIVE.

6. REGARDING AGRICULTURAL QUOTAS EMBASSY SHOULD INDICATE
OUR DISAPPOINTMENT OVER LIMITED OFFER BY GOJ AND ASK FOR
INCLUSION IN GOJ STATEMENT THAT THESE QUOTAS WILL BE
SUBJECT TO LIBERALIZATION IN THE MTN WITH THE OBJECTIVE
OF LETTING MARKET FORCES PLAY A MUCH GREATER ROLE IN
DETERMINING IMPORTS INTO JAPAN. YOU SHOULD ALSO SEEK
CLARIFICATION REGARDING WHAT ADDITIONAL INCREASE IN
GENERAL BEEF QUOTA IS EXPECTED TO BE OF BENEFIT TO US.
WE WILL EXPECT THAT SUCH AN ASSURANCE, EVEN IF NOT PUBLIC,
WILL HAVE TO BE CONVEYED IN WAY THAT IT IS CREDIBLE TO
US INDUSTRY. IN TOKYO, WOLFF WILL WANT TO DISCUSS NEXT
STEPS ON AGRICULTURAL ISSUES.

7. YOU SHOULD SEEK CLARIFICATION IN 10(1) ON WHAT
PORTIONS OF BILATERAL LOANS JAPAN PLANS TO UNTIE THIS
YEAR, NEXT YEAR AND BEYOND. HOW SOON DOES JAPAN EXPECT
TO ACHIEVE TOTAL UNTYING?

8. ALTHOUGH WE APPRECIATE POINTS MADE IN REF D REGARD-
ING DIFFICULTIES GOJ HAS IN AVOIDING PIECEMEAL ANNOUNCE-
MENT OF ITS PROPOSED MEASURES, YOU SHOULD CONTINUE TO
URGE THEM TO MAKE EVERY EFFORT TO KEEP SPECIFICS OF
PACKAGE UNDER WRAPS UNTIL THE STRAUSS VISIT. FOR OUR
PART WE WILL, AS EMBASSY ADVISED, CONTINUE TO TAKE THE
LINE PUBLICLY THAT NEGOTIATIONS ARE CONTINUING, PARTI-
CULARLY ON AGRICULTURAL MEASURES.

9. IN WORKING WITH GOJ ON ITS STATEMENT TO BE MADE
DURING THE STRAUSS VISIT YOU SHOULD ENCOURAGE THEM TO
BE HIGHLY POSITIVE AND UPBEAT ON THEIR COMMITMENT TO
IMPLEMENTATION OF THE MEASURES THEY ARE ANNOUNCING AND
TO BE AS FORTHCOMING AS POSSIBLE REGARDING THE SPECIFICS
OF HOW THIS WOULD BE DONE. IN ADDITION, LANGUAGE ASSERT-
ING CONSTRUCTIVE AND OUTWARD LOOKING JAPANESE ROLE IN
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FUTURE NEGOTIATIONS ON INTERNATIONAL ECONOMIC ISSUES
WOULD BE HELPFUL.

10. EMBASSY SHOULD WORK TOWARD GOJ HAVING DRAFT OF
TEXT OF PROPOSED UNILATERAL JAPANESE STATEMENT AND OF
POSSIBLE JOINT US-JAPAN STATEMENT READY FOR FINAL REVIEW
AT TIME OF WOLFF VISIT. WE WILL ALSO PREPARE SUGGESTIONS

FOR LATTER.

11. WOLFF DELEGATION PLANS ARRIVAL TOKYO SUNDAY,
JANUARY 8. PLEASE CONFIRM GOJ ACCEPTANCE DATES OF
WOLFF AND STRAUSS VISITS BY COB FRIDAY DECEMBER 29.
AMBASSADOR STRAUSS WILL BE ACCOMPANIED BY AMASSADOR
WOLFF, AMBASSADOR MCDONALD AND ASSISTANT SECRETARY OF
COMMERCE WEIL. OTHER MEMBERS OF PARTY WILL BE SUPPLIED
SEPTTEL. CHRISTOPHER

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